

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Review, 2012

Docket No. ACR2012

CHAIRMAN'S INFORMATION REQUEST NO. 8

(Issued February 8, 2013)

To clarify the basis of the Postal Service's estimates in its FY 2012 Annual Compliance Report (ACR), filed December 28, 2012, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than February 15, 2013.

International Mail

1. The following question concerns the Canada Post—United States Postal Service Contractual Bilateral Agreement for Inbound Market Dominant Services, which governs the entry of letterpost at negotiated rates. Refer to USPS-FY12-NP2 (Revised), Excel files Reports (Booked).xls (Revised 1-14-13) and Reports.xls (Revised 1-14-13), worksheet tabs A Pages (c), Table A-2 in each file. For FY 2012, revenues reported for the Canada Post—United States Postal Service Contractual Bilateral Agreement for Inbound Market Dominant Services did not exceed attributable costs under either the booked or imputed methods. This stands in marked contrast to FY 2011, when revenues exceeded attributable costs under both methods. Please identify and explain the causes of the below 100 percent cost coverage for the Canada Post—United States Postal Service Contractual Bilateral Agreement for Inbound Market Dominant Services compared to FY 2011.

2. The following questions concern the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product, which is comprised of a number of negotiated service agreements (NSAs) with foreign postal operators governing the entry of inbound letterpost. Refer to USPS-FY12-NP2 (Revised), Excel files Reports (Booked).xls (Revised 1-14-13) and Reports.xls (Revised 1-14-13), worksheet tabs A Pages (c) and Pivot3 in each file.
- (a) For the first time in FY 2012, revenues reported for the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product did not exceed collective attributable costs under either the booked or imputed methods. Please explain the causes of the below 100 percent cost coverage for the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product compared to FY 2011.
 - (b) In Docket Nos. MC2010-35/R2010-5, the Postal Service maintained that the negotiated rates in the agreement with TNT Post (Netherlands), renamed Post NL, would result in an improvement compared to the rates established by the Universal Postal Union (UPU) for inbound letterpost. For FY 2012, as in FY 2011, the cost coverage for Inbound Single-Piece First-Class Mail from target system countries paying the UPU-established rates exceeds the cost coverage for inbound letterpost entered pursuant to the inbound multi-service agreement with Post NL under both the booked and imputed methods. Please explain why the cost coverage for the Post NL agreement did not exceed the cost coverage for inbound letterpost at UPU target system rates, and what steps the Postal Service plans to take to improve cost coverage for letterpost entered pursuant to the agreement.
 - (c) Under both the booked and imputed methods, the cost coverage for Inbound Single-Piece First-Class Mail from countries paying rates established by the UPU exceeds the cost coverage for inbound letterpost

entered pursuant to the inbound multi-service agreement with Hongkong Post. In Docket No. R2012-4, the Postal Service maintained that the negotiated rates in the Hongkong Post agreement would result in an improvement compared to the UPU-established rates for inbound letterpost. Please explain why the cost coverage for the Hongkong Post agreement did not exceed the cost coverage for inbound letterpost at UPU target or transition system rates, and what steps the Postal Service plans to take to improve cost coverage for letterpost entered pursuant to the agreement.

3. The following question concerns Inbound Air Parcel Post (at non-UPU rates). Refer to the United States Postal Service FY 2012 Annual Compliance Report (ACR) at page 41 where it states that “The booked and imputed versions of the ICRA report a negative contribution of \$912,000 for inbound Air Parcel Post (at non-UPU rates).” Please confirm that in the booked version of the ICRA (Excel file Reports (Booked).xls), revised January 14, 2013, Inbound Air Parcel Post (at non-UPU rates) shows a negative contribution of \$912,000 while in the imputed version of the ICRA (Excel file Reports.xls), revised January 14, 2013, contribution for Inbound Air Parcel Post (at non-UPU rates) is positive. If not confirmed, please explain.
4. The following questions concern Global Direct Contracts.
 - (a) Please reconcile the revenue, pieces, pounds, volume variable cost, and contribution for the Global Direct Contracts shown in USPS-FY12-NP2 (Revised), Excel file NSA Summary (Booked).xls (Revised 1-14-13), worksheet tab Summary, to the revenue, pieces, pounds, volume variable cost, product specific costs (if any), and contribution provided for Global Direct Contracts shown in Excel file Reports (Booked).xls (Revised 1-14-13), worksheet tab A Pages (c), Table A-2.

(b) Please respond to subpart (a), above, with reference to the Excel file NSA Summary (Imputed).xls (Revised 1-14-13), worksheet tab Summary and the Excel file Reports.xls (Revised 1-14-13), worksheet tab A Pages (c), Table A-2.

5. The following question concerns the Global Plus 2B and 2C products. Refer to USPS-FY12-NP2 (Revised), Excel files NSA Summary (Booked).xls (Revised 1-14-13). In the worksheet tab Summary, costs exceeded revenues for the Global Plus 2B and 2C products. Please explain.

Special Services

6. In response to CHIR No. 5, question 1 in Docket No. CP2013-3, dated November 7, 2012, the Postal Service indicated that “the information technology costs to enable RMN were . . . about \$7500” and the “cost of the time of the contractors to monitor and upgrade the databases was less than \$54,000.” Please explain the discrepancy between these costs and the “Information Technology Costs” listed in USPS-FY12-NP26, Attachment 4, Excel Spreadsheet “Competitive and Market Dominant PO Box Attributable Costs 2012,” tab Comp. & MD POBox Costs, cell E26.
7. In Library Reference USPS-FY12-NP26, the Postal Service does not identify the total number of third-party packages that were delivered to competitive Post Office Boxes in FY 2012. For FY 2013, please explain how the Postal Service plans to identify the number of third-party packages that are delivered to competitive Post Office Box service locations.

Competitive Products Fund

8. As of the end of FY 2012, Table III in the Monthly Statement of the Public Debt of the United States shows the value of the debt held by the Postal Service in three different accounts.¹ Two of these accounts, the Postal Service Fund, and the Competitive Products Fund, were accounted for within the Books of Account of the Postal Service. The Postal Service Retiree Health Benefits Fund was accounted for in the records of the United States Office of Personnel Management (OPM).² The Competitive Products Fund shows a balance for September 2012 of \$1,057,049,990.21 in the National Trial Balance (Account Number 12010.000),³ Table III of the Monthly Statement of the Public Debt of the United States,⁴ and the U.S. Treasury-Special Issues.

Beginning in October, 2012 (FY 2013), the National Trial Balance shows a zero balance for the Competitive Products Fund (account number 12010.000)⁵ and the Competitive Products Fund line item has been eliminated from Table III of the Monthly Statement of the Public Debt of the United States. That table now only shows the balance of Federal Securities within the Postal Service Fund and the Postal Service Retiree Health Benefits Fund.⁶

- (a) Please discuss in detail how the requirements of 39 U.S.C. § 2011(a)(2) will be met with a zero balance/non-existent Competitive Products Fund.

¹ Monthly Statement of the Public Debt of the United States, September 30, 2012, at 10, Table III, <http://www.treasurydirect.gov/govt/reports/pd/mspd/2012/opdm092012.pdf>.

² United States Office of Personnel Management, Agency Financial Report, Fiscal Year 2012, at 75, <http://www.opm.gov/about-us/budget-performance/performance/2012-agency-financial-report.pdf>.

³ National Trial Balance, September, 2012 (FY 2012), November 15, 2012.

⁴ Monthly Statement of the Public Debt of the United States, September 30, 2012, at 10, Table III <http://www.treasurydirect.gov/govt/reports/pd/mspd/2012/opdm092012.pdf>.

⁵ National Trial Balance, October, 2012 (FY 2013), November 27, 2012.

⁶ Monthly Statement of the Public Debt of the United States, October 31, 2012, at 10, Table 3, <http://www.treasurydirect.gov/govt/reports/pd/mspd/2012/opdm102012.pdf>.

- (b) Please discuss in detail any agreement with the Department of Treasury concerning the accounting of excess funds from competitive products. Please consider 39 U.S.C. § 2011(d) in your answer.
 - (c) Please provide a thorough explanation of any change in accounting methodology that resulted in a zero balance in the Competitive Products Fund in the National Trial Balance (October 2012) and a removal of the Competitive Products Fund from the Monthly Statement of the Public Debt of the United States (October 2012).
- 9. The transfer of income tax due on competitive products pretax income for Fiscal Year 2012 was required to be made on or before January 15, 2013 from the Competitive Products Fund to the Postal Service Fund. See 39 U.S.C. § 3634(c); 39 C.F.R. §§ 3060.40, 3060.43. However, it appears that either the balance in the Competitive Products Fund was zero during the month of January or the Fund was eliminated.
 - (a) Please identify when the transfer of income tax from Competitive products to the Postal Service fund was made.
 - i. Identify which accounts were impacted.
 - ii. If no transfer was completed, please explain how this complies with 39 U.S.C. § 3634(c).
 - (b) Please describe in detail how the transfer of income tax from Competitive products to the Postal Service fund will be accomplished in subsequent years.

Competitive Products

10. There were 20 First-Class Package Service (FCPS) Contracts in effect during FY 2012. However, Library Reference USPS-FY12-NP27, which presents domestic 2012 Competitive NSA data, does not include these 20 contracts.
 - (a) Please provide contract-specific workpapers for each FCPS Contract in effect during FY 2012.
 - (b) Please provide a revised NSACost RevenueSummary_FY12.xls file that incorporates the FCPS Contracts.
 - (c) Please provide a FCPS NSA support file similar to other domestic Competitive NSAs (See, e.g., SupportPriority_FY12.xlsx).
 - (d) Please explain where FCPS NSA data is reported in the FY 2012 RPW report.

Customer Access

11. In its response to CHIR No. 2, question 5, the Postal Service provided an updated table showing Retail Revenue by Channel for FY 2012. For the column labeled “Channel”, please provide examples of what would constitute “Other”.

Nonpostal Services

12. The following questions relate to the Philatelic Sales.
 - (a) Does the Postal Service’s calculation of revenue from Philatelic Sales account for items that are used as postage rather than for philatelic purposes?
 - (b) Is any revenue from Philatelic Sales included in the calculation of the Postage in the Hands of the Public liability estimate?

Performance Measurement

13. Please provide FY 2011 and FY 2012 quarterly IMb data aggregated at the area and national level showing mail volumes for the following categories:
 - (a) First-Class Mail
 - i. Presort Letter/Postcards
 - ii. Presort First-Class Mail Flats
 - (b) Standard Mail (Destination and End-to-End)
 - i. High Density and Saturation Letters
 - ii. High Density and Saturation Flats/Parcels
 - iii. Carrier Route
 - iv. Letters
 - v. Flats
 - vi. Not Flat-Machinables and Parcels
 - vii. Mixed Product Letters
 - viii. Mixed Product Flats
 - (c) Periodicals
 - i. In-County
 - ii. Outside County
 - (d) Package Services (Destination and End-to-End)
 - i. Bound Printed Matter Flats

By the Chairman.

Ruth Y. Goldway